

# STOCK EXCHANGE AIM DISCIPLINARY NOTICE

AD 18

13 August 2018

## PUBLIC CENSURE AND FINE – MBL GROUP PLC

1. London Stock Exchange plc (the “**Exchange**”) announces that the AIM Disciplinary Committee (“**ADC**”) has approved a Consent Order between the Exchange and MBL Group plc (the “**Company**”) for a public censure and fine of £125,000, for breaches by the Company of the AIM Rules for Companies (“**AIM Rules**”), discounted to £75,000 for early settlement of the proceedings.
2. The Exchange is publishing details of this disciplinary action for the purpose of educating the market on the expected standards of conduct for AIM companies under the AIM Rules.

### SUMMARY OF EVENTS

3. The Company was admitted to AIM in July 2002 and changed its name from Air Music & Media Group plc to MBL Group plc in October 2008. The Company was a UK distributor and wholesaler of home entertainment and garden products.
4. Between November 2016 and January 2017, the Company provided a number of updates to the market regarding the progress of a strategic review, central to which was an exploration of a potential sale of both of the Company’s trading subsidiaries (the “**subsidiaries**”). These events took place around the time of a number of board changes involving the departure of two non-executive directors and the Company’s acting CEO, who was also the Finance Director. This left the Company’s non-executive Chairman to take up the executive role on an interim basis, and to progress the sale process, supported by one, newly appointed, non-executive director.
5. On 14 August 2017, the Company provided an update to the market that the sale process of its subsidiaries had been ‘significantly hampered’ by the actions of certain former managers and shareholders. The Company noted that a recent shareholder requisition was a further ‘distraction’ which ‘brought into question the authority of the Company’s directors, which in turn creates transactional risk’.
6. On 21 August 2017, the Company notified its full year results to 31 March 2017 which included a ‘Current Trading’ update that did not indicate any material change to its financial performance.
7. By 14 September 2017, consolidated management accounts covering the full trading period between 31 March 2017 and 30 August 2017 became available to the Company’s board. These indicated a significant deterioration in the financial performance of the subsidiaries. The Company did not take steps, at this time, to consider the disclosure implications of these developments or consult its nominated adviser.
8. At the same time as the consolidated management accounts became available, the Company was focused on preparing the business for its Annual General Meeting (“**AGM**”) and was dealing with shareholder requisitions and other events which, ultimately, led to a determination to suspend the sale process. On 25 September 2017, the Company notified

that the sale process had been 'frustrated' by a number of factors, including the setting up of a competing business by former management and shareholders, as well as challenges in agreeing non-compete covenants, which led to the withdrawal and/or price reduction of existing offers for the subsidiaries.

9. The notification of 25 September 2017 also contained a trading update which stated that the subsidiaries remained 'profitable and cash generative', without making any reference to the overall deterioration in financial performance. This was notwithstanding that the Company was aware of the position by no later than 14 September 2017 and that the deterioration was a change from the indication given in the trading update on the 21 August 2017.
10. Whilst the Company had liaised with its nominated adviser regarding its plans to suspend the sale process and to provide an update to shareholders, the Company did not inform its nominated adviser about the change in the financial performance of the subsidiaries or seek advice and guidance on the AIM Rules.
11. On 27 and 28 September 2017, the Company re-considered the available management accounts ahead of its AGM and spoke with its nominated adviser, following which a further trading update was notified on 28 September 2017. As a result of the delayed disclosure, and of the omission of relevant information, the information available to the market was materially incomplete during the relevant period.
12. Since the events that are the subject of this censure, the Company has appointed a completely new board.
13. The board at the time of the relevant period and the current board have fully co-operated with the Exchange's investigation.

#### **BREACHES OF THE AIM RULES**

14. It has been determined that the Company breached:
  - AIM Rule 11 by failing to notify, without delay, the information it became aware of on 14 September 2017, which was price sensitive and was also in contrast with information previously disclosed to the market. The information was not disclosed until 28 September 2017;
  - AIM Rule 10 by omitting to include information in its notification of 25 September 2017 regarding the deterioration of the financial performance of the subsidiaries;
  - AIM Rule 31 by failing to seek advice from its nominated adviser, when it was appropriate to do so, regarding the AIM Rules disclosure implications of relevant information; and
  - AIM Rule 31 by failing to ensure that it had sufficient procedures, resources and controls to enable it to comply with the AIM Rules.
15. Compliance with AIM disclosure obligations is essential for market integrity and confidence. This censure demonstrates the importance of an AIM company ensuring that it properly considers disclosure implications of relevant information available to it. Further, when notifying information, an AIM company is required to take reasonable care to ensure that the information does not, by omission, create an incomplete understanding.
16. It is recognised that the failure of the Company to disclose the relevant information was not intentional and that the board was operating in difficult circumstances where it was having to address various challenges. However, notwithstanding such competing demands on the time and resources of its board, an AIM company must ensure that it has sufficient procedures, resources and controls to meet its AIM Rules obligations at all times.
17. This censure also demonstrates the importance of keeping the nominated adviser informed of developments and to seek advice and guidance. In this case, the failure to inform the nominated adviser of the deterioration of the financial performance of the subsidiaries resulted in the nominated adviser not being in a position to be able to advise and guide the

Company on its AIM Rules disclosure obligations.

18. In light of the seriousness of the breaches, the Exchange considers that a public censure and a fine is the appropriate sanction. In determining the appropriate level of fine, the Exchange has taken into account, amongst other matters, the Company's co-operation with the Exchange's enquiries.

Any queries relating to this AIM Notice should be addressed to: [aimregulation@lseg.com](mailto:aimregulation@lseg.com)

**Nilam Statham**  
**Head of Primary Market and AIM Regulation**

**Notes:**

**AIM Rules for Companies**

Pursuant to AIM Rule 42 if the Exchange considers that an AIM company has contravened the AIM Rules, it may take one or more of the following measures:

- issue a warning notice;
- fine it;
- censure it; or
- cancel the admission of its AIM securities; and
- publish the fact that it has been fined or censured and the reasons for that action.

Pursuant to AIM Rule 44, where the Exchange proposes to take any of the steps described in Rule 42, the Exchange will follow the procedures set out in the Disciplinary Procedures and Appeals Handbook.